

1 VIRGINIA:

2 IN THE COUNTY OF WASHINGTON

3 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

4 VIRGINIA GAS AND OIL BOARD

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9 JANUARY 15, 2002

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12 APPEARANCES:

13 MASON BRENT, GAS & OIL INDUSTRY REPRESENTATIVE

14 KEN MITCHELL, REPRESENT THE CITIZENS

15 BENNY WAMPLER, DIRECTOR OF THE DMME & CHAIRMAN

16 DENNIS GARBIS, PUBLIC MEMBER

17 BOB WILSON, DIRECTOR OF THE DIVISION OF GAS & OIL AND ACTING
18 PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

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****AGENDA ATTACHED

1 BENNY WAMPLER: Good morning, my name is Benny
2 Wampler. I'm Deputy Director for the Virginia Department of
3 Mines, Minerals and Energy, and Chairman of the Gas & Oil
4 Board. I'll ask the Board members to introduce themselves,
5 starting with Mr. Brent.

6 MASON BRENT: My name is Mason Brent. I'm from
7 Richmond, and I represent the gas and oil industry.

8 KEN MITCHELL: My name is Ken Mitchell. I'm from
9 Stafford County, Virginia, and I am a citizen appointee.

10 DENNIS GARBIS: My name is Dennis Garbis. I'm from
11 Fairfax County. I'm a public member.

12 BOB WILSON: I'm Bob Wilson. I'm the Director of
13 the Division of Gas and Oil and the principal executive to
14 the staff of the Board.

15 BENNY WAMPLER: Thank you. The first item on the
16 agenda today was a report on the escrow account. I'm going
17 to move that to last on the agenda with the Board's blessing.
18 Then...is there any housekeeping, Mr. Swartz? You mentioned
19 a continuation request.

20 MARK SWARTZ: ZZZ-29, I think it is from last
21 month, we have been negotiating with Columbia Natural
22 Resources to try and resolve their interest in the unit.
23 We've apparently have made an offer to purchase that interest
24

1 and we're continuing to negotiate. We would like to continue
2 that again, if we could.

3 BENNY WAMPLER: To next month?

4 MARK SWARTZ: How long do you think---?

5 LESLIE K. ARRINGTON: We'll do it until the next
6 month.

7 MARK SWARTZ: No, but I mean realistically do you
8 think you ought to know by then?

9 LESLIE K. ARRINGTON: I think we will (inaudible).

10 MARK SWARTZ: Okay.

11 BOB WILSON: So, that is next month, February?

12 MARK SWARTZ: Yes.

13 BOB WILSON: Thank you.

14 BENNY WAMPLER: Now, are we doing the disbursements
15 next or do we need to wait for---?

16 BOB WILSON: I think we need to wait.

17 BENNY WAMPLER: We'll go to number four.

18 BOB WILSON: Some of...the attorney for one of the
19 groups is still on his way in.

20 BENNY WAMPLER: Okay, I'll go ahead and call number
21 four on the Board's---.

22 BOB WILSON: Thank you.

23 BENNY WAMPLER: ---docket. The Virginia Gas and
24
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1 Oil Board will consider a petition from Buchanan Production
2 Company for pooling of a coalbed methane unit under the
3 Oakwood Coalbed Methane Gas Field Order identified as Y-2;
4 docket number VGOB-02-01/15-0998. We'd ask the parties that
5 wish to address the Board in this matter to come forward at
6 this time.

7 MARK SWARTZ: Mark Swartz and Les Arrington.

8 BENNY WAMPLER: The record will show there are no
9 others. You may proceed.

10 MARK SWARTZ: Les, do you want to be sworn?

11 (Mr. Arrington is duly sworn.)

12 MARK SWARTZ: Just to kind of give you a focus,
13 unit Y-2 is an Oakwood I frac unit with one well. That's
14 what we're going to be talking about here today on this
15 application.

16

17 LESLIE K. ARRINGTON

18 having been duly sworn, was examined and testified as
19 follows:

20 DIRECT EXAMINATION

21 QUESTIONS BY MR. SWARTZ:

22 Q. Les, you need to state your name for the
23 record.

24

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1 A. Leslie K. Arrington.
2 Q. Who do you work for?
3 A. Consol Energy.
4 Q. And who is the applicant in Y-2?
5 A. Buchanan Production Company.
6 Q. And are you here on behalf of Buchanan
7 Production Company?
8 A. Yes.
9 Q. Okay. Has...did Buchanan Production
10 Company, back in the early '90s, delegate responsibility for
11 managing and operating its properties to a third party?
12 A. Yes.
13 Q. And ultimately did that delegation of
14 responsibility come down to Consol Energy, Inc., the company
15 you work for?
16 A. Yes, it does.
17 Q. Okay. And that would account for why you're
18 signing on behalf of Buchanan Production as the applicant,
19 but actually employed by Consol Energy?
20 A. That's correct.
21 Q. Is this unit an 80 acre Oakwood I frac unit?
22 A. Yes, it is.
23 Q. Does it have one well?
24

1 A. Yes, it does.

2 Q. And that well's already drilled, I think?

3 A. Yes, it is.

4 Q. And is that well located in the drilling
5 window?

6 A. Yes, it is.

7 Q. The proposed development then, I assume,
8 would be under the Oakwood rules to produce coalbed methane
9 gas from the Tiller on down?

10 A. Yes, it is.

11 Q. This well has a permit number, and what
12 would that be?

13 A. The permit number for the well is 4946.

14 Q. When was it drilled?

15 A. June the 20th of 2001.

16 Q. To what depth?

17 A. 2,640.40 feet.

18 Q. And the costs...are the costs partly
19 incurred and partly estimated?

20 A. It's getting closer to being on curve, yeah.

21 Q. Okay.

22 A. \$210,666.33.

23 Q. And would that be the cost allocation amount
24

1 that would be...that you would ask be inserted in the order?

2 A. Yes, it is.

3 Q. Let's take a look for a moment at the

4 interest that the applicant has been able to acquire either

5 by ownership or by a lease in this unit. What would those

6 interests be?

7 A. We have 99.14991% of the coal, oil and gas,

8 coalbed methane leased. We're seeking to pool 0.85009% of

9 the coal, oil and gas, coalbed methane.

10 Q. So, that's less than a percent?

11 A. Yes.

12 Q. And if I'm not mistaken, what you're seeking

13 to pool here is one tract, tract number three?

14 A. That's correct.

15 Q. And in this pooling context here, we don't

16 have a conflicting claim that would require escrow in tract

17 number three, but we've got some people that are

18 unlocateable, particularly page two of four---?

19 A. That's correct.

20 Q. ---that would require escrow for that

21 reason?

22 A. Correct.

23 Q. What did you do to notify people of the

24

1 hearing today?

2 A. We mailed it certified mail/return receipt
3 requested on December the 14th of 2001, and we published it
4 in the Bluefield Daily Telegraph on December the 26th of 2001

5 Q. And have you given the Board your proofs
6 with regard to certifi...with regard mailing this morning?

7 A. Yes, we have.

8 Q. And have you also provided them with a copy
9 of the newspaper's certificate of publication?

10 A. Yes, we did.

11 Q. And when you published, what did you put in
12 the paper?

13 A. The notice of hearing and the location map.

14 Q. Of the unit?

15 A. Yes.

16 Q. Okay. Do you wish to add or dismiss any
17 respondents today?

18 A. No.

19 Q. Do we need to amend any exhibits?

20 A. No. I might on Y-2 and Z-1, the
21 certification that I've supplied them, the Board members---.

22 Q. Right.

23 A. ---the certification in the set of exhibits

24

1 shown as Z-1, we've got the notification switched in the
2 packages. So, you might---.

3 Q. So, the Y-2 might be in the Z-1 and vice
4 versa?

5 A. It is.

6 Q. Okay. But the required certifications are
7 in one or the other?

8 A. Yes, they are.

9 Q. The applicant here is a Virginia general
10 partnership?

11 A. Yes, it is.

12 Q. And the two partners are Consol Energy, Inc.
13 and Consolidation Coal Company?

14 A. Yes.

15 Q. Is Buchanan Production Company authorized to
16 do business in the Commonwealth?

17 A. Yes, it is.

18 Q. Who are you requesting that the Board
19 appoint as designated operator?

20 A. Consol Energy.

21 Q. Is Consol Energy, Inc. a Delaware
22 corporation?

23 A. Yes, it is.

24

--

1 Q. Is it authorized to do business in the
2 Commonwealth, has it registered with the Department of Mines,
3 Minerals and Energy and does it have a blanket bond on file?

4 A. Yes, it does.

5 Q. And we've talked about the delegation by BPC
6 to Consol before, right?

7 A. Yes, we have.

8 Q. Okay. With regard to the leases that you've
9 obtained, and obviously you've leased more than 99% of this
10 unit, what are the lease terms that you have typically
11 offered to the folks that you have been able to get leases
12 from?

13 A. Our standard coalbed methane lease is a \$1
14 per acre per year for a five year term, with a 1/8 production
15 royalty.

16 Q. And would you recommend those terms to the
17 Board with regard to folks who might be deemed to have been
18 leased under a Board order?

19 A. Yes, we would.

20 Q. The percent of unit column on exhibit B-3,
21 does that represent each person's percentage interest in the
22 unit?

23 A. Yes, it does.

24

--

1 Q. To calculate royalty, would you take that
2 percent of unit times 12½%?

3 A. Yes.

4 Q. To calculate a participation dollar, would
5 you take that percent of unit times the allocated costs?

6 A. Yes, you would.

7 Q. And you'd do the same kind of a calculation
8 using this number for the carried costs?

9 A. Yes.

10 Q. Is it your opinion that the plan of
11 development which is proposed for unit Y-2 and is shown in
12 the plat and other exhibits is a reasonable plan to produce
13 coalbed methane from under this unit?

14 A. Yes, it is.

15 Q. And is the plan, in particular the pooling
16 of the folks in tract 3 that you do not as yet have leases
17 from and the escrow for unlocateables, is that a mechanism
18 that will protect all of the owners and claimants to the
19 coalbed methane?

20 A. Yes, it is.

21 Q. That's all I have.

22 BENNY WAMPLER: Any questions from members of the
23 Board?

24

--

1 KEN MITCHELL: My question is, in your testimony
2 you stated that the percentage of unit...the percentage which
3 is a small decimal obviously because you own 99%, but it was
4 talking about that is the number that you use to determine
5 royalties, correct?

6 MARK SWARTZ: Right.

7 KEN MITCHELL: On page two of four on B-3, you have
8 a certain interest here with interest unknown. Then on page
9 four of four, it's shown again. There's a McCammond Smith,
10 Angelican Evangelical Trust. So, how do you calculate
11 interest to someone you don't know the interest that they
12 have?

13 LESLIE K. ARRINGTON: Well, hopefully if they were
14 to come forward, we can calculate their interest when we
15 figure out what they tell us they have.

16 KEN MITCHELL: Okay.

17 LESLIE K. ARRINGTON: We know they have an
18 interest, but we don't know what it is.

19 KEN MITCHELL: They're here in Abingdon. I mean,
20 we're not talking...we're not...I mean---.

21 LESLIE K. ARRINGTON: I understand.

22 KEN MITCHELL: Okay.

23 LESLIE K. ARRINGTON: I understand.

24

--

1 KEN MITCHELL: And they were...I didn't look at the
2 mailings. But they were contacted, obviously.

3 LESLIE K. ARRINGTON: Yes.

4 KEN MITCHELL: Obviously. So...but I was just
5 curious how you calculated interest with no percentage.

6 LESLIE K. ARRINGTON: We couldn't calculate it.

7 KEN MITCHELL: Okay.

8 LESLIE K. ARRINGTON: When we...when we put it
9 together, we could not calculate their interest.

10 KEN MITCHELL: I was just curious how much money to
11 escrow without knowing a percentage to escrow.

12 MARK SWARTZ: I mean, I assume that you can give
13 the Board a maximum that this could be because it's under
14 another claim?

15 LESLIE K. ARRINGTON: We'll come up with...we'll
16 come up with a number, you know, when we get to doing the
17 actual calculations.

18 MARK SWARTZ: For the supplemental order?

19 LESLIE K. ARRINGTON: Yes.

20 MARK SWARTZ: Okay.

21 LESLIE K. ARRINGTON: We could not come up with it
22 at the time we put this together.

23 BENNY WAMPLER: Did that answer your question, Mr.
24

--

1 Mitchell?

2 KEN MITCHELL: Yes, sir.

3 BENNY WAMPLER: Any other questions from members of
4 the Board?

5 (Dennis Garbis indicates he has a question.)

6 BENNY WAMPLER: Mr. Garbis.

7 DENNIS GARBIS: Yeah. I must be missing something
8 over here. But you have a total of 80 acres and you have, I
9 guess, on page one of one under the tract identifications, I
10 guess, a break down of the coal...the surface coal, and the
11 on page...on the bottom of the page, you have a breakout of
12 the gross percentages. Then you have 99.149%. Is that based
13 on...I'm having a hard time explaining this. When I go to
14 the list of unleased owners you have, as an example on Tract
15 3, 4.77%. So, you want to pool that percentage?

16 MARK SWARTZ: No.

17 LESLIE K. ARRINGTON: No. We have a percentage of
18 it leased. Of that M.F. Boyd heirs, we have a percentage of
19 it leased. As a matter of a fact, quite a bit of it leased.
20 I believe it's---.

21 DENNIS GARBIS: When I look at the map over here,
22 we're taking about what's not leased is in Tract 3?

23 LESLIE K. ARRINGTON: In Tract 3, that's correct.

24

1 DENNIS GARBIS: And that's royalties (inaudible)
2 people here this .01 or whatever?
3 LESLIE K. ARRINGTON: Yes. They're all in that
4 tract.
5 DENNIS GARBIS: All in that tract.
6 LESLIE K. ARRINGTON: We have a certain percentage,
7 and I believe it's 96% of that interest leased.
8 DENNIS GARBIS: Okay.
9 LESLIE K. ARRINGTON: It's just a very small
10 interest that we do not have leased.
11 MARK SWARTZ: If you look again, just stay with
12 Exhibit B-3 for a minute and look at one of four, you'll see
13 that the first person listed is an A letter, Laura Myrtle
14 Baldwin.
15 DENNIS GARBIS: Right.
16 MARK SWARTZ: We've got a B. But then we skip to J
17 or I guess it's I. No, it's J. That means that the people
18 between, because we another listing where we've got everybody
19 that's in the unit...so, we've got C through whatever leased.
20 I mean, you can kind of---.
21 DENNIS GARBIS: Okay.
22 MARK SWARTZ: I mean, that's just to give you a
23 feeling. The 3.82 acres which peaked your interest in the
24

1 4.77 is the acreage in all of Tract 3 that's shown on the
2 plat. That's the total acreage in Tract 3 from the plat.

3 DENNIS GARBIS: In that little slice, okay. Yeah.

4 MARK SWARTZ: And then we have some of that leased
5 and some of it unleased. The pieces of that that are
6 unleased are listed below.

7 DENNIS GARBIS: Okay.

8 MARK SWARTZ: That's why those numbers would not
9 match. The 3.82 is the entire tract.

10 DENNIS GARBIS: Okay. Thank you for indulging my
11 question.

12 BENNY WAMPLER: Any other questions from members of
13 the Board?

14 (No audible response.)

15 BENNY WAMPLER: Do you have anything further?

16 MARK SWARTZ: No.

17 BENNY WAMPLER: Is there a motion?

18 MASON BRENT: I move that we grant this
19 application, Mr. Chairman.

20 KEN MITCHELL: I second the motion for approval.

21 BENNY WAMPLER: Motion and second. Any further
22 discussion?

23 (No audible response.)

24

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1 BENNY WAMPLER: All in favor, signify by saying
2 yes.

3 (All members signify by saying yes.)

4 BENNY WAMPLER: Opposed, say no.

5 (No audible response.)

6 BENNY WAMPLER: You have approval. The next item
7 on the agenda is a petition from Buchanan Production Company
8 for pooling of a coalbed methane unit under the Oakwood
9 Coalbed Methane Gas Field I order identified as Z-1, docket
10 number VGOB-02-01/15-0999. We'd ask the parties that wish to
11 address the Board in this matter to come forward at this
12 time.

13 MARK SWARTZ: Mark Swartz and Les Arrington.

14 BENNY WAMPLER: The record will show there are no
15 others. You may proceed.

16

17 LESLIE K. ARRINGTON

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. SWARTZ:

20 Q. Les, I'll just remind you you're still under
21 oath.

22 A. Yes.

23 Q. Who do you work for?

24

--

1 A. Consol Energy.

2 Q. Did you either prepare, or cause to be
3 prepared, the notice of hearing, application and related
4 exhibits for the pooling of Z-1 today?

5 A. Yes...yes, I did.

6 Q. And you, in fact, signed both of them?

7 A. Yes, I did.

8 Q. Are we talking here again about an Oakwood I
9 80 acre frac unit?

10 A. Yes, we are.

11 Q. And the plat shows that there's one well
12 actually almost in the center of the drilling window, is that
13 correct?

14 A. That's correct.

15 Q. Is the intention here to produce coalbed
16 methane from the Tiller on down?

17 A. Yes, it is.

18 Q. Is this well drilled?

19 A. Yes, it is.

20 Q. The permit number?

21 A. 4934. It was drilled on June the 11th of
22 2001 to a total depth of 2,035.70 feet, at a cost of
23 \$196,765.06.

24

--

1 Q. Is that cost the cost amount that you would
2 ask that the Board insert as the allocated cost in the Board
3 order?

4 A. Yes, it is.

5 Q. What did you do to notify the Roseanna C.
6 Looney Trust of this hearing today?

7 A. Yes. It was mailed by certified mail/return
8 receipt requested on December the 14th of 2001. It was
9 published in the Bluefield Daily Telegraph on December the
10 26th of 2001.

11 Q. And have you provided the Board today with
12 proofs regarding certification of mailing and publication?

13 A. Yes, we did.

14 Q. And did the trust, I think actually sign it
15 for the mail?

16 A. I think they did. Yes....yeah, there's a
17 signature card.

18 Q. In this Z-1 unit, what is the acreage or
19 interest of the claimants that you've been able to obtain?

20 A. Yes. We've leased 75.1825% of the coal, oil
21 and gas, coalbed methane interest. We're seeking to pool
22 24.8175% of the coal, oil and gas, coalbed methane interest.

23 Q. And for the roughly 75% that you've leased,
24

1 what have been the standard terms that you have offered?

2 A. Standard coalbed methane lease terms have
3 been a \$1 per acre per year with a five year paid up term and
4 a one-eighth royalty.

5 Q. Now turning to Exhibit B-3, it looks like
6 there is no need to escrow by reason of conflicting claims
7 since this looks like a fee claim?

8 A. That's correct.

9 Q. Or at least fee minerals?

10 A. Right.

11 Q. And in addition, it looks there is no need
12 to escrow for unlocateable people?

13 A. That's correct.

14 Q. The applicant here is whom?

15 A. Buchanan Production Company.

16 Q. And who is it that Buchanan Production
17 Company is asking be designated the designated operator?

18 A. Consol Energy.

19 Q. Is Buchanan Production Company a Virginia
20 partnership?

21 A. Yes, it is.

22 Q. Are its two partners Consol Energy and
23 Consolidation Coal Company?

24

--

1 A. Yes, it is.

2 Q. Is Buchanan Production Company authorized to
3 do business in the Commonwealth?

4 A. Yes, it is.

5 Q. Consol Energy, Inc. is a Delaware
6 corporation, correct?

7 A. Yes.

8 Q. And has Consol Energy, Inc. been admitted to
9 do business in the Commonwealth, registered with the DMME and
10 does it have a blanket bond on file?

11 A. Yes, it does.

12 Q. In early '90s, did Buchanan Production
13 Company delegate the responsibility for managing its assets
14 and producing coalbed methane on its various leases to a
15 third party?

16 A. Yes, it has.

17 Q. And ultimately, did Consol Energy, Inc.
18 succeed to that delegation?

19 A. Yes, it did.

20 Q. And, in fact, agreed to be responsible for
21 those issues?

22 A. That's correct.

23 Q. And that's why you have signed the notice of
24

1 hearing and the application as you have, correct?

2 A. Correct.

3 Q. Have you listed all of the folks that you're
4 seeking to pool in B-3?

5 A. Yes, we have.

6 Q. And we've set forth a percentage of interest
7 for the trust, correct?

8 A. Yes, we did.

9 Q. Now, if the trust wanted to estimate its
10 royalties, it would take the percent of the unit times
11 ...across from its name times 12½%, correct?

12 A. Correct.

13 Q. And if it wanted to participate, it would
14 take that percentage...that same percentage times the
15 allocated costs?

16 A. Yes.

17 Q. And it would do the same kind of calculation
18 but times a multiplier for carried?

19 A. Correct.

20 Q. And again here, we're showing that the
21 Looney tract, Tract #3, actually has...represents 41.3625% of
22 the unit, correct?

23 A. Correct.

24

1 Q. But that you obviously have leased a portion
2 of those folks?

3 A. We have.

4 Q. And of that 41% you're seeking to pool what
5 percent?

6 A. We're seeking to pool 24.8175% of the unit.

7 Q. Okay, that's still unleased?

8 A. Correct.

9 Q. Okay. Is it your opinion that the plan for
10 development that's shown by the plat and the other exhibits
11 including the cost exhibit, is a reasonable plan to develop
12 and produce coalbed methane gas from under this 80 acre unit?

13 A. Yes, it is.

14 Q. And given the leases that you've obtained
15 and the pooling application that's before the Board today, is
16 it your opinion that all claims and interests and correlative
17 rights of all claimants and interest would be protected by
18 this application?

19 A. Yes, it will be.

20 MARK SWARTZ: That's all I have.

21 BENNY WAMPLER: Any questions from members of the
22 Board?

23 (No audible response.)

24

--

1 BENNY WAMPLER: Is there a motion?

2 KEN MITCHELL: Mr. Chairman, I move for approval.

3 DENNIS GARBIS: I second.

4 BENNY WAMPLER: Motion and second. Any further
5 discussion?

6 (No audible response.)

7 BENNY WAMPLER: All in favor, signify by saying
8 yes.

9 (All members signify by saying yes.)

10 BENNY WAMPLER: Opposed, say no.

11 (No audible response.)

12 BENNY WAMPLER: You have approval. Thank you.

13 We're going to back up now to number three on the agenda.

14 The next item on the agenda is reconvening of docket number

15 93-01/19-0313 for consideration of applications filed by

16 certain claimants for the calculation and thereafter

17 disbursement of funds on deposit in the drilling unit escrow

18 account based on said claimants settlement of claims

19 regarding ownership of gas production allocable to certain

20 tracts wherein they own gas rights. This is docket number

21 VGOB-93-01/19-0313-02. We'd ask the parties that wish to

22 address the Board in this matter to come forward at this

23 time.

24

--

1 HENRY KEULING-STOUT: My name is Henry Keuling-
2 Stout, attorney, and I represent Mr. Fred O'Quinn, Mr. Gary
3 Owens and Pine Mountain Oil and Gas Company.

4 JIM TALKINGTON: Jim Talkington. I represent
5 Virginia Gas Company.

6 BENNY WAMPLER: The record will show there are no
7 others. The disbursement under this application will
8 allocate the remaining funds to the others affected and close
9 the escrow account, sub account. Ms. Riggs has prepared a
10 draft order listing Fred O'Quinn, Alfred Compton, Gary Owens,
11 Pine Mountain Oil and Gas, Justin Robinson, Blanche
12 Sutherland and Glen Anderson, et al, for disbursal.

13 BOB WILSON: Mr. Chairman, the Glen Anderson, et
14 als, have been disbursed.

15 BENNY WAMPLER: Have been disbursed?

16 BOB WILSON: Yes.

17 BENNY WAMPLER: Yes.

18 BOB WILSON: The remaining account---.

19 BENNY WAMPLER: She has got a note to that effect.

20 BOB WILSON: Okay, right.

21 BENNY WAMPLER: You may proceed.

22 HENRY KEULING-STOUT: I think it's not my motion.
23 I'm just here to make sure that...I think it's Mr.
24
~

1 Talkington's motion. I haven't...what I haven't seen, I
2 believe there's supposed to be a supplemental escrow. The
3 letter says, "The unit operators hereby is added as a party
4 and is directed to present at the Board's meeting on January
5 the 15th to appear, or to file with the Board prior to the
6 Board's hearing a second revised affidavit of election, an
7 updated accounting of all funds currently on deposit in the
8 escrow account." So, I've not seen that yet. I'm assuming
9 that's present.

10 JIM TALKINGTON: Mr. Chairman, I've attached that
11 to the...that is the last page of the supplemental order I've
12 provided you. The escrow agent has provided us with an
13 accounting yesterday and that is the current amount in the
14 escrow account to be disbursed to the claimants listed as per
15 the exhibit of the supplemental order.

16 BENNY WAMPLER: We'll give Mr. Stout a few minutes
17 to look at that.

18 HENRY KEULING-STOUT: Let's see, the letter also
19 says, "The escrow agent..." ...let's see... "is to verify
20 that the escrow agent's records of deposits reconcile with
21 the records of the unit operator." I just ask, has that been
22 done?

23 JIM TALKINGTON: Yes, it has.

24

--

1 HENRY KEULING-STOUT: So, the \$35,349.79 is the
2 amount that will be distributed according to the percentages
3 to the individuals, all of them except Harry and Corben
4 Anderson, both of who have already received their money,
5 correct?

6 JIM TALKINGTON: That's correct.

7 BOB WILSON: Mr. Chairman?

8 BENNY WAMPLER: Mr. Wilson?

9 BOB WILSON: Actually, that is the latest balance
10 that's available. The monies to be distributed will be the
11 moneys including any further deposits or any further interest
12 accrued as of the date the check is written. So, it will not
13 be this exact amount. It should be slightly more than this
14 amount when it's actually disbursed.

15 HENRY KEULING-STOUT: All right, this page one that
16 I have been given then is effective January the 14th?

17 JIM TALKINGTON: Correct.

18 HENRY KEULING-STOUT: Could I just take a glance at
19 the order that has been tendered?

20 (Henry Keuling-Stout reviews the order.)

21 BOB WILSON: I believe that this balance is
22 actually at the end of the month balance as of December the
23 31st---.

24

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1 BENNY WAMPLER: It probably is.

2 BOB WILSON: ---of last year. It has not been
3 brought forward at this point. When they get...when the bank
4 as escrow agent gets the order, they will then calculate
5 interest to that point...this is the balance as of December
6 the 31st.

7 (Henry Keuling-Stout continues to review the
8 order.)

9 BENNY WAMPLER: While he's looking at that, is
10 there any questions from members of the Board?

11 KEN MITCHELL: No, sir.

12 (Henry Keuling-Stout continues to review the
13 order.)

14 HENRY KEULING-STOUT: Does this order take care
15 of...this releases the amount of money in escrow. Does the
16 order address future monies that come from the well being
17 paid directly...their percentages directly to the people?
18 Does it address that?

19 JIM TALKINGTON: I don't believe the order itself
20 does but as per procedure, once the Board issues the order to
21 disburse the escrow funds, the revenues will be disbursed as
22 per the original order issued by the Board.

23 BENNY WAMPLER: This order will close the escrow
24

1 account is the way it works.

2 HENRY KEULING-STOUT: Okay. I have no questions.

3 BENNY WAMPLER: Do you have anything further?

4 JIM TALKINGTON: No, sir.

5 KEN MITCHELL: Mr. Chairman, I move for approval of
6 this order.

7 BENNY WAMPLER: Okay. I have a motion for
8 approval. Is there a second?

9 DENNIS GARBIS: I second.

10 BENNY WAMPLER: Second. Any further discussion?
11 (No audible response.)

12 BENNY WAMPLER: All in favor, signify by saying
13 yes.

14 (All members signify by saying yes.)

15 BENNY WAMPLER: Opposed, say no.
16 (No audible response.)

17 BENNY WAMPLER: You have approval. Thank you very
18 much.

19 JIM TALKINGTON: Thank you very much.

20 BENNY WAMPLER: The next item on the agenda is a
21 petition from Equitable Production Company for pooling of a
22 coalbed methane unit under the Oakwood Coalbed Methane Gas
23 Field I Order identified as VC-508899, docket number VGOB-02-
24

1 01/15-1000. We'd ask the parties that wish to address the
2 Board in this matter to come forward at this time.

3 JIM KISER: Mr. Chairman and members of the Board,
4 Jim Kiser on behalf of Equitable Production Company. Our
5 witness in this matter will be Mr. Don Hall. We'd ask that
6 he be sworn at this time.

7 (Don Hall is duly sworn.)

8 BENNY WAMPLER: The record will show there are no
9 others. You may proceed.

10 JIM KISER: By way of introduction and explanation,
11 this is an application seeking a pooling order for Equitable
12 well number VC-508899. I'd ask you before we get into our
13 testimony to turn to your Exhibit B in the application. And
14 you'll note both in the gas estate, which is on page one of
15 two, and the coal estate, which is on page two of two, on
16 Tract 2 there's a small interest of approximately 1.7% that
17 is owned by Plum Creek Timber Company. In Equitable's
18 continuing due diligence efforts, we were attempting to
19 obtain a coalbed methane lease from them as recently as
20 yesterday and apparently we were close to obtaining it when
21 their land department determined that they had inadvertently
22 included this tract and this small interest in a CBM lease
23 that they had already executed. That lease was executed

24

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1 with...hang on...Highland Resources, Inc. out of Atlanta,
2 Georgia, and Geo Met Operating, Inc. out of Birmingham. We
3 have...as soon as we found that out, we immediately notified
4 by express mail/ certified both of those lessees...joint
5 lessees, whatever they are. And we also contacted Sam
6 Smallwood with...Equitable contacted them to let them know
7 what the situation was and to attempt to get a voluntary
8 assignment of this 1.7% from them. What we would like to do
9 today, with the Board's permission, because they have
10 basically assured us that they will assign that interest to
11 us being that it's such a minute amount, we would like to
12 proceed with the force pooling on what we call the Rogers's
13 cousins and get that done, and then should we not, we'll have
14 to amend our Exhibit B to show these parties as a CBM lessee,
15 which we'll do...we can do today and get that to you when I
16 get back to the office. But we would like to proceed with
17 the force pooling and then should we not for some reason
18 obtain the voluntary assignment of that 1.7% interest from
19 the lessees, arguably if we even need to do that, then we
20 would come back in February and modify it.

21 BENNY WAMPLER: Okay.

22 JIM KISER: Can I take a time out, Mr. Chairman?

23 BENNY WAMPLER: Yes.

24

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1 (Don Hall and Jim Kiser confer.)

2

3 DON HALL

4 having been duly sworn, was examined and testified as
5 follows:

6 DIRECT EXAMINATION

7 QUESTIONS BY MR. KISER:

8 Q. Okay, Mr. Hall, you're under oath. Would
9 you state your name for the Board, who you're employed by and
10 in what capacity?

11 A. My name is Don Hall. I'm employed by
12 Equitable Production Company as District Landman.

13 Q. And do your responsibilities include the
14 land involved here and in the surrounding area?

15 A. They do.

16 Q. Now, are you familiar with Equitable's
17 application seeking a pooling order for EPC well number VC-
18 508899, which was dated December the 13th, 2001?

19 A. Yes.

20 Q. And is Equitable seeking to force pool the
21 drilling rights underlying the unit as depicted at Exhibit A,
22 that being the plat to the application?

23 A. We are.

24

--

1 Q. And does this proposed location fall within
2 the Board's order for the Oakwood Coalbed Gas Field?

3 A. Yes, it does.

4 Q. Now, prior to filing the application, were
5 efforts made to contact each of the respondents in an attempt
6 made to work out a voluntary lease for the development of the
7 unit?

8 A. Yes.

9 Q. Does Equitable own drilling rights in the
10 unit involved here?

11 A. We do.

12 Q. Okay. And what percentage of the gas estate
13 within the unit does Equitable have under lease?

14 A. 66.94%.

15 Q. Okay. And what is the interest of Equitable
16 within the coal estate within the unit?

17 A. 91.52%.

18 (Jim Kiser and Don Hall confer.)

19 JIM KISER: Time out again, Mr. Chairman.

20 (Jim Kiser and Don Hall confer.)

21 JIM KISER: Let's go back, Mr. Chairman. Mr. Hall
22 was reading off a old exhibit.

23 BENNY WAMPLER: Okay.

24

1 Q. All right. Let's go through that again.
2 What percentage does Equitable have under lease at this time
3 in the gas estate within the unit?
4 A. 75.42%.
5 Q. Okay. And what percentage does Equitable
6 have under lease in the coal estate within the unit?
7 A. 98.3%.
8 Q. Okay. And that's consistent with the
9 application that was filed with the Board?
10 A. That's correct.
11 Q. And what is the...are all the unleased
12 parties set out in Exhibit B to the application?
13 A. Yes.
14 Q. Are you familiar with the ownership of
15 drilling rights of parties other than Equitable underlying
16 this unit?
17 A. Yes.
18 Q. Okay. What is the percentage in the gas
19 estate within this unit that remains unleased?
20 A. 24.576%
21 Q. Okay. And the percentage of the coal estate
22 that remains unleased?
23 A. 1.6%...1.69%.
24

1 Q. 1.696?

2 A. Yes.

3 Q. In this particular case, we don't have any
4 unknown heirs or unknown respondents, is that correct?

5 A. That's correct.

6 Q. Now, in your professional opinion, was due
7 diligence exercised to locate each of the respondents named
8 in the application?

9 A. Yes.

10 Q. Now, are the addresses set out in Exhibit B
11 to the application the last known addresses for the
12 respondents?

13 A. They are.

14 Q. Are you requesting this Board to force pool
15 all the unleased interest as listed at Exhibit B to the
16 application?

17 A. Yes.

18 Q. Now, are you familiar with the fair market
19 value of drilling rights in the unit here and in the
20 surrounding area?

21 A. I am.

22 Q. Could you advise the Board as to what those
23 are?

24

1 A. A \$5 bonus on a five year term and one-
2 eighth royalty.

3 Q. Did you gain this familiarity by acquiring
4 oil and gas leases, coalbed methane leases and other
5 agreements involving the transfer of drilling rights in the
6 unit involved here and in the surrounding area?

7 A. Yes.

8 Q. And in your professional opinion, do the
9 terms you have testified to represent the fair market value
10 of and the fair and reasonable compensation to be paid for
11 drilling rights within this unit?

12 A. They do.

13 Q. Now, before we get into the election
14 options, this particular well is located outside the interior
15 window in the unit and you have filed your permit application
16 in which you have sought a location exception, is that
17 correct?

18 A. That's correct.

19 Q. That's on file with the DGO?

20 A. Yes.

21 Q. Okay. Now, based on any respondents who
22 have not voluntarily agreed to lease, do you recommend that
23 the respondents listed at Exhibit B to the application be
24

1 allowed the following options with respect to their ownership
2 interest within the unit. One, participation; two, a cash
3 bonus of \$5 per net mineral acre plus a one-eighth of eight-
4 eighths royalty; three, in lieu of the cash bonus and one-
5 eighth of eight-eighths royalty, a share in the operation of
6 the well on a carried basis as a carried operator under the
7 following conditions: Such carried operator shall be
8 entitled to the share of production from the tracts pooled
9 accruing to his interest exclusive of any royalty or
10 overriding royalty reserved in any leases, assignments
11 thereof or agreements relating thereto of such tracts, but
12 only after the proceeds applicable to his share equal, A)
13 300% of the share of such cost applicable to the interest of
14 the carried operator of a leased tract or portion thereof; or
15 B) 200% of the share of such cost applicable to the interest
16 of the carried operator of an unleased tract or portion
17 thereof?

18 A. Yes.

19 Q. Do you recommend that all elections by
20 respondents be in writing and sent to the applicant at
21 Equitable Production Company, 1710 Pennsylvania Avenue, P. O.
22 Box 2347, Charleston, West Virginia 25328, Attention:
23 Melanie Freeman, Regulatory?

24

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1 A. Yes.

2 Q. And should this be the address for all
3 communications with the applicant concerning any force
4 pooling order?

5 A. Yes.

6 Q. Do you recommend that the pooling order
7 provide that if no written election is properly made by a
8 respondent, then such respondent shall be deemed to have
9 elected the cash royalty option in lieu of participation?

10 A. Yes.

11 Q. Should unleased respondents be given 30 days
12 from the date of the execution of the Board order to file
13 their written elections?

14 A. Yes.

15 Q. And if an unleased respondent elects to
16 participate, should they be given 45 days to pay the
17 applicant for their proportionate share of well costs?

18 A. Yes.

19 Q. Does the applicant expect any party electing
20 to participate to pay in advance that party's share of well
21 costs?

22 A. Yes.

23 Q. Should the applicant be allowed a 120 days
24

1 following the recording date of the Board order and
2 thereafter annually on that date until production is achieved
3 to pay or tender any cash bonus becoming due under the order?

4 A. Yes.

5 Q. Do you recommend that the order provide that
6 if a respondent elects to participate but fails to pay their
7 proportionate share of well costs satisfactory to the
8 applicant, then the respondent's election to participate
9 shall be treated as having been withdrawn and void and such
10 respondent should be treated as if no initial election had
11 been filed, in other words deemed to have leased?

12 A. Yes.

13 Q. Do you recommend that the order provide that
14 where a respondent elects to participate but defaults in
15 regard to the payment of well costs, any cash sum becoming
16 payable to that respondent be paid within 60 days after the
17 last date on which such respondent could have paid or made
18 satisfactory arrangements for the payment of well costs?

19 A. Yes.

20 Q. And do you recommend that the order provide
21 for the...set up of a escrow account into which all cost or
22 proceeds attributable to any conflicting interest shall be
23 held for the respondent's benefit?

24

--

1 A. Yes.

2 Q. And who should be named the operator under
3 this force pooling order?

4 A. Equitable Production.

5 Q. And what is the total depth of the proposed
6 well under the plan of development?

7 A. 2210 feet.

8 Q. And what are the estimated reserves?

9 A. 400,000,000 cubic feet.

10 Q. Are you familiar with the well costs for the
11 proposed well under the applicant's plan of development?

12 A. Yes.

13 Q. Has an AFE been reviewed, signed and
14 submitted to the Board as Exhibit C to the application?

15 A. It has.

16 Q. And was this AFE prepared by an engineering
17 department knowledgeable in the preparation of AFEs and
18 knowledgeable in regard to well costs in this particular
19 area?

20 A. It was.

21 Q. In your opinion, does the AFE represent a
22 reasonable estimate of the well costs for the proposed well?

23 A. Yes, it does.

24

1 Q. Could you state for the Board both the dry
2 hole costs and the completed well costs for this well?

3 A. The dry hole costs is \$102,209.

4 Q. And the completed well costs?

5 A. \$186,901.

6 Q. Do these costs anticipate a multiple
7 completion?

8 A. They do.

9 Q. Does your AFE include a reasonable charge
10 for supervision?

11 A. Yes.

12 Q. In your professional opinion, would the
13 granting of this application be in the best interest of
14 conservation, the prevention of waste, and the protection of
15 correlative rights?

16 A. Yes.

17 JIM KISER: Nothing further of this witness at this
18 time, Mr. Chairman.

19 BENNY WAMPLER: Any questions from members of the
20 Board?

21 (No audible response.)

22 BENNY WAMPLER: You haven't filed your application
23 at this time?

24

1 DON HALL: Pardon?

2 BENNY WAMPLER: You haven't filed the application
3 for this well at this time?

4 JIM KISER: We have filed it.

5 DON HALL: Yes, we have.

6 BENNY WAMPLER: You have filed it?

7 DON HALL: Yes.

8 BENNY WAMPLER: And you requested the exception to
9 the inspectors within the area of the window that the
10 inspector can---?

11 DON HALL: Yes. Actually, I have that now with me
12 to give to Bob today.

13 BENNY WAMPLER: Okay. Anything further?

14 JIM KISER: We'd ask that the Board approve the
15 application as submitted with the caveat that we'll get the
16 revised Exhibit B to note the lessee situation on the 1.7%
17 interest in Tract 2.

18 BENNY WAMPLER: Okay. Is there a motion?

19 KEN MITCHELL: I move for approval.

20 DENNIS GARBIS: I second.

21 BENNY WAMPLER: Motion and second. Any further
22 discussion?

23 (No audible response.)

24

1 BENNY WAMPLER: All in---.

2 MASON BRENT: Can we get them to make sure that
3 that's brought at our next meeting as to the determination as
4 to whether that lessee was leased or pooled?

5 JIM KISER: What I'll do is I will...we don't have
6 anything...we won't have anything on the docket unless we
7 don't get that assignment, which we'd have to come back and
8 modify this order for. So, if we do get the assignment, I'll
9 send a letter to Mr. Wampler's attention and ask him to go
10 ahead and get it into the record here.

11 BENNY WAMPLER: Anything further?

12 (No audible response.)

13 BENNY WAMPLER: All in favor, signify by saying
14 yes.

15 (All members signify by saying yes.)

16 BENNY WAMPLER: Opposed, say no.

17 (No audible response.)

18 BENNY WAMPLER: You have approval. Okay, the next
19 item on the agenda is a petition from Equitable Production
20 Company for pooling of a coalbed methane unit under the
21 Oakwood Coalbed Methane Gas Field I order identified as VC-
22 024870. This is docket number VGOB-02-01/15-0...I'm sorry
23 1001. We'd ask the parties that wish to address the Board in
24

1 this matter to come forward at this time.

2 JIM KISER: Mr. Chairman and members of the Board,
3 Jim Kiser, again, on behalf of Equitable Production Company.
4 Our witness again will be Mr. Hall. I'll remind him that
5 he's under oath.

6 By way of explanation on this well, this is another
7 well in the...on the same lease in the same area in the
8 Oakwood Field. It once again is outside the interior window.
9 We have filed the permit and the paperwork to request the
10 variance through the Oakwood Field order. It is also a---.

11 DON HALL: It's an existing conventional well
12 that's basically depleted and our plan is to plug back to the
13 coal seams and stimulate the coal seams and convert it from a
14 conventional well to CBM well.

15 JIM KISER: We mention that because when we get
16 into the testimony about the AFE, you'll notice that the
17 costs are quite different from what they normally are. I
18 figure that will prompt a question.

19 DON HALL: And that's also the reason we need a
20 location exception.

21 JIM KISER: Right. And we are pooling the same
22 seven Rogers cousins that we just force pooled once again.

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DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. So, Mr. Hall, if you'd again state your name for the Board, who you're employed by and in what capacity?

A. Don Hall. I'm employed by Equitable Production Company as District Landman.

Q. And do your responsibilities include the land involved here and in the surrounding area?

A. They I do.

Q. And you're familiar with the application we filed seeking a pooling order for this well, which was dated December the 13th, 2001?

A. Yes.

Q. And we're seeking to force pool drilling rights underlying the unit as depicted at Exhibit A, that being the plat to the application?

A. We are.

Q. And does the location proposed for this well fall within the Board's order for the Oakwood Coalbed Gas Field?

A. Yes.

Q. Now, prior to filing the application, were

1 efforts made to contact each of the respondents listed and an
2 attempt made to work out a voluntary lease agreement?

3 A. Yes.

4 Q. Does Equitable own drilling rights in the
5 unit involved here?

6 A. Yes, we do.

7 Q. And the interest of Equitable in the gas
8 estate within this unit?

9 A. 99.0925%.

10 Q. And the interest of Equitable in the coal
11 estate?

12 A. A 100%.

13 Q. Are all the unleased parties set out in
14 Exhibit B?

15 A. Yes.

16 Q. Now, are you familiar with the ownership of
17 drilling rights of parties other than Equitable underlying
18 this unit?

19 A. Yes.

20 Q. And what is the percentage of the gas estate
21 that remains unleased?

22 A. .9075%.

23 Q. Okay, once again, we don't have any unknown
24

1 respondents or unlocateable respondents. In your
2 professional opinion, did you exercise due diligence to
3 locate each of the respondents named?

4 A. Yes.

5 Q. Now, are the addresses set out in Exhibit B
6 are the last known addresses for these respondents?

7 A. That's correct.

8 Q. Are you requesting this Board to force pool
9 all the unleased interest as listed at Exhibit B?

10 A. Yes.

11 Q. Once again, are you familiar with the fair
12 market value of drilling rights in the unit here and in the
13 surrounding area?

14 A. Yes.

15 Q. Could you advise the Board again as to what
16 those are?

17 A. A \$5 bonus, a five year term and a one-
18 eighth royalty.

19 Q. And in your opinion, do the terms you have
20 just testified to represent the fair market value of and the
21 fair and reasonable compensation to be paid for drilling
22 rights within this unit?

23 A. Yes.

24

--

1 JIM KISER: At this time, Mr. Chairman, I would ask
2 that the testimony that we just took regarding the elections
3 options afforded the unleased parties and their various time
4 periods in which to respond and their rights vis a vis the
5 operator under the Board order that was taken in VGOB docket
6 number 02-01/15-1000 be incorporated into this hearing.

7 BENNY WAMPLER: They'll be incorporated.

8 Q. And, Mr. Hall, do we need to set up a...does
9 the Board need to create an escrow account through the order
10 to take care of any conflicting claims that exist?

11 A. Yes.

12 Q. And who should be named the operator under
13 the force pooling order?

14 A. Equitable Production.

15 Q. Now, you've testified previously that we're
16 going to plug back the conventional well and frac the coal
17 seams and produce there. What's the depth of this well going
18 to be?

19 A. It will end up being 1850 feet.

20 Q. And the estimated reserves of the unit?

21 A. 400,000,000.

22 Q. Now, are you familiar with the costs for the
23 proposed well under the plan of development?

24

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1 A. Yes.

2 Q. Has an AFE been reviewed, signed and
3 submitted to the Board in Exhibit C?

4 A. It has.

5 Q. And does this AFE represent a reasonable
6 estimate for the well costs for this particular well?

7 A. Yes.

8 Q. And could you state for the Board both what
9 the dry hole costs and the completed well costs are for this
10 well?

11 A. The dry hole costs would be \$39,600. The
12 completed well costs would be \$132,984.

13 Q. Do these costs anticipate a multiple
14 completion?

15 A. Yes.

16 Q. Does your AFE include a reasonable charge
17 for supervision?

18 A. It does.

19 Q. In your professional opinion, would the
20 granting of this application be in the best interest of
21 conservation, the prevention of waste, and the protection of
22 correlative rights?

23 A. Yes.

24

--

1 JIM KISER: Nothing further of this witness at this
2 time, Mr. Chairman.
3 BENNY WAMPLER: Mr. Hall, would you repeat the
4 percentage unleased in the gas estate?
5 DON HALL: It's...in the gas estate---.
6 JIM KISER: Yeah. It should be .00907.
7 DON HALL: Yes. 0.0...no.
8 JIM KISER: Yes. Less than 1%.
9 DON HALL: Yeah. .9---.
10 JIM KISER: No.
11 BENNY WAMPLER: That's what he...I'm just helping
12 you correct the record.
13 DON HALL: Oh, okay. Yeah, you're right.
14 JIM KISER: Yeah. Okay, so, Mr. Hall, should it be
15 .009075?
16 DON HALL: That's correct.
17 BENNY WAMPLER: Any questions---?
18 JIM KISER: Thank you, Mr. Chairman.
19 BENNY WAMPLER: Sure. Any questions from members
20 of the Board?
21 MASON BRENT: I've got a couple, Mr. Chairman, if I
22 may.
23 BENNY WAMPLER: Sure. Mr. Brent.

1 MASON BRENT: Mr. Hall, you testified that the
2 total depth was 1850 feet. The AFE shows 1600 feet if I'm
3 looking at it right.

4 DON HALL: It's hard to see, but I believe you're
5 right. It does show 1600 feet.

6 MASON BRENT: So, which is it?

7 DON HALL: It would be what the AFE is.

8 MASON BRENT: 1600 feet?

9 DON HALL: Yes.

10 MASON BRENT: Okay. And you're taking a
11 conventional well and you're going to plug it below the coal
12 seam---?

13 DON HALL: Yes.

14 MASON BRENT: ---and then you're going to frac the
15 coal?

16 DON HALL: Right.

17 MASON BRENT: And you've offered that as
18 explanation for the cost variance here. But you show down at
19 the bottom that the cost per foot is \$83.11 and on your
20 previous well, it was \$84.57, which is not a whole lot of
21 difference.

22 DON HALL: Well, your dryhole costs is \$39,000.
23 That's because the hole is already drilled. The cost per
24

1 foot, and again I didn't prepare the AFEs. So, I don't know
2 exactly how they arrived at that that. But I'm assuming
3 that's the cost per foot including the completed well cost.
4 I really can't answer that.

5 MASON BRENT: But it just seems to me that what
6 that's telling us is the cost to plug is not much different
7 than the cost of drilling because it's already drilled.

8 DON HALL: Right.

9 MASON BRENT: But now you're going to plug it below
10 the coal seam.

11 DON HALL: Right.

12 MASON BRENT: The cost ends up being about the
13 same. So, it seems to me that the cost to plug it is the
14 same as the cost to drill the whole thing. I'm just pointing
15 that out. I don't know that that---.

16 DON HALL: I really can't answer that.

17 BENNY WAMPLER: Mr. Wilson, do you want to talk
18 about our experience in plugging one?

19 BOB WILSON: Plugging wells can be very expensive.

20 MASON BRENT: Is that right?

21 BOB WILSON: What they're doing here...and these
22 operations have actually already started on these wells. As
23 far as the plugging is concerned, we've already authorized
24

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1 that portion of it. They have casing to pull out of the
2 hole. They have remedial submitting to do and they have to
3 close off the deep zones and establish a plug at a shallow
4 level that would basically be the TD of a coalbed well if it
5 was being drilled here. There were certain---

6 BENNY WAMPLER: TD being total depth.

7 BOB WILSON: Yeah, I'm sorry, right. TD being
8 total depth. There are certain remedial things that they
9 have to do up hole in order to convert this to a coalbed
10 methane well. I don't have any idea what the real expenses
11 will be. But it's not unusual to spend \$25,000 just on a
12 plugging job.

13 MASON BRENT: I was just seeking an education.

14 BENNY WAMPLER: That's okay. I thought that might
15 help you a little bit just on our experiences.

16 MASON BRENT: I appreciate that.

17 BENNY WAMPLER: Any other questions?

18 (No audible response.)

19 BENNY WAMPLER: De we determine that the depth here
20 shown on the AFE is correct?

21 JIM KISER: Do you think it's right because your
22 letter to me says 1850?

23 DON HALL: I think the AFE probably is correct.

24

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1 It's whatever we've applied for in the permit application,
2 which I don't have a copy of.

3 BOB WILSON: I don't remember what the depth was.

4 JIM KISER: We can check, Mr. Chairman, and just
5 verify it with you before you draft an order.

6 BENNY WAMPLER: So, you'll verify that with us?
7 (No audible response.)

8 BENNY WAMPLER: Any other questions from members of
9 the Board?

10 (No audible response.)

11 BENNY WAMPLER: Do you have anything further?

12 JIM KISER: We'd ask that the application be
13 approved as submitted, Mr. Chairman.

14 BENNY WAMPLER: Is there a motion?

15 DENNIS GARBIS: I move to approve.

16 KEN MITCHELL: Second.

17 BENNY WAMPLER: Motion and second. Any further
18 discussion?

19 MASON BRENT: Not as submitted, but subject to
20 verification of the depth?

21 JIM KISER: All right.

22 BENNY WAMPLER: All in favor, signify by saying
23 yes.
24

1 (All members signify by saying yes.)
2 BENNY WAMPLER: Opposed, say no.
3 (No audible response.)
4 BENNY WAMPLER: You have approval. Thank you.
5 JIM KISER: Is anybody going to see Ms. Riggs?
6 BENNY WAMPLER: I'm sorry.
7 JIM KISER: Is anybody going to see Ms. Riggs?
8 I've got a supplemental order for her that she wanted.
9 BENNY WAMPLER: I will.
10 JIM KISER: You'll go back before you go to D.C. or
11 Richmond?
12 BENNY WAMPLER: No. But she's out of town until
13 Monday, also.
14 JIM KISER: Oh.
15 BENNY WAMPLER: I'll see her when she comes back.
16 JIM KISER: Would you give it to her?
17 BENNY WAMPLER: I'll see her before anybody will.
18 JIM KISER: I didn't know she wasn't going to be
19 here.
20 DON HALL: Thank you.
21 BENNY WAMPLER: Thank you.
22 MASON BRENT: Thank you.
23 BENNY WAMPLER: We'll now have the year end report
24

1 on the Board escrow account as administered by First Union
2 Bank escrow agent for the Board. Mr. Wilson.

3 BOB WILSON: I'll pass out the report letter and a
4 disbursement report, which actually reflects the last six
5 months. The disbursement report is required to be submitted
6 on a bi-annual basis.

7 The account as reflected on this year end report,
8 which is actually a fourth quarter calendar year...calendar
9 report, shows a balance of \$6,346,999.01. This includes the
10 bank fees, which have been removed, a total of \$5,000 per
11 month. They actually only removed this twice a year as we've
12 discussed previously which doesn't hurt us a bit. We earned
13 a total of a \$184,000...I'm sorry, \$38,680...\$38,680.29
14 during the last quarter. We received deposits totaling a
15 \$184,859.16 during that period of time.

16 You'll notice that there's some discrepancy between
17 the disbursements that they show on this account overview on
18 the letter, which they show as refunds, and the actual
19 disbursement report. This, again, has to do with the way
20 that the bank actually pays these things out, I have just
21 learned, and, again, it's to our benefit. Basically, the
22 large payout that's involved here, \$120,000 in three checks
23 there, was done late in December. When they do these

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1 payouts, they actually issue the check from their accounts
2 and then when the check comes back in for payment, they
3 transfer money out of our account into theirs, which is...we
4 appreciate that.

5 BENNY WAMPLER: It saves interest.

6 BOB WILSON: I'm not sure why they do it that way,
7 but I certainly wouldn't argue with our being able to use
8 their money.

9 As you can see, again, this being a money market
10 account, we're earning at the present time around 2.35% which
11 was the latest number that we have here. I also notice now
12 that the heading that she's showing September, October and
13 November, it should actually be October, November and
14 December on this report here. The actual disbursements that
15 we did in the last half of the year totaled a \$140,734.65.
16 Those are the ones that are listed here, as I said, including
17 the \$120,000 or so that does not actually appear on the final
18 accounting.

19 Things have actually been moving along quite
20 routinely with the escrow agent. We have problems sometimes
21 with these disbursements more because of our procedures than
22 theirs and we're trying to iron some of those out right now.
23 The checks don't go out as quickly as they actually should
24

1 once it gets up there. But, again, this is not the escrow
2 agents fault usually and we're working on getting all of that
3 smoothed out.

4 As we discussed at a previous hearing, and as the
5 Board authorized, we will be proceeding with putting out a
6 request proposals for audit, which we will this time tailor
7 to a yearly audit and we will try to get multiple years under
8 the same contract so we don't have to go through this same
9 RFP process every year. Under the state procurement rules,
10 we're allowed to write the contract such that we can have
11 multiple audits under the same contract and go to the end of
12 the period and how you would have the option for renewal if
13 both parties agree to it at that time. So, we'll be working
14 on that right away and getting that out for an audit that
15 will bring us up through the end of this year just past.

16 BENNY WAMPLER: I believe we agreed that every
17 other year we'd do the detail audit. The in between year
18 we'd do a...whatever...whatever type it's called. It has a
19 name. My mind won't think of it right away.

20 DENNIS GARBIS: Review.

21 BOB WILSON: I actually...I'd talked to the current
22 contract holder, the one that just did our most recent audit
23 and, again, as part of the procurement process, we're allowed
24

1 to do what's called a little exploratory questioning on these
2 things to find out how we can best proceed with setting up
3 new contracts and such. This particular auditor's possibly
4 self serving appraisal of the situation was that it would be
5 probably be as well to do a full audit each year as to try to
6 do a partial accounting on a situation of this sort. The
7 thinking was that if we did a partial, then the next year we
8 would have to double duty to bring it up to that second year
9 and he thought that if you had multiple years under the same
10 auditor, whoever it happened to be, that we would probably be
11 better off just doing a full audit each year.

12 BENNY WAMPLER: I just want to discuss that because
13 we had talked about doing it the other way.

14 MASON BRENT: That's probably right given that this
15 is so complicated.

16 BENNY WAMPLER: Once they've done the audit, you
17 know, the audit that they've done now and certified it, it
18 shouldn't be that difficult because they'll just basically be
19 building upon---.

20 BOB WILSON: Yeah. This first part of this audit
21 will possibly be a bit difficult just because of the
22 transition from one bank to another. But once we get it up
23 to end of last year, it should roll fairly, fairly smoothly
24

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1 from there on out.

2 MASON BRENT: How much longer does our contract
3 with First Union run?

4 BOB WILSON: I don't know. I don't remember what
5 the terms of that---.

6 BENNY WAMPLER: I believe it's 2003, but I'm not
7 sure. We'll check.

8 MASON BRENT: Through 2003?

9 BENNY WAMPLER: I believe that's right.

10 BOB WILSON: I believe it has provisions for
11 renewal.

12 BENNY WAMPLER: Provisions for renewal.

13 BOB WILSON: But I...I don't remember. I'll find
14 out for you.

15 DENNIS GARBIS: How far back are they going to go
16 as far as doing this audit?

17 BOB WILSON: Two years. This audit will go back to
18 the time that First Union picked it up at the end of 1999 or
19 the first of 2000 and bring it up to the end of last year.

20 DENNIS GARBIS: I agree that we ought to just go
21 ahead...I don't think the amount of difference is going to be
22 that significant, just go ahead and have a full complete
23 audit rather than something less particular (inaudible).
24

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1 That's not even worth somebody even raising the issue.

2 BENNY WAMPLER: Everybody is nodding agreement with
3 that. So, you got your direction.

4 BOB WILSON: Okay, thank you.

5 BENNY WAMPLER: Anything further regarding the
6 report?

7 DENNIS GARBIS: Yeah. Just a couple minor
8 questions. I notice on the letter here it says, "Per
9 conversation, I have concluded a high level quarterly
10 review." What is a high level review versus a regular
11 review? Is it a high level?

12 BOB WILSON: According...according---.

13 DENNIS GARBIS: Just semantics over there.

14 BOB WILSON: Yeah. The question that I asked it
15 has to do with who actually looks at it.

16 DENNIS GARBIS: Who signs it?

17 BOB WILSON: Well, yeah.

18 DENNIS GARBIS: I noticed relationship manager.

19 BOB WILSON: Yeah. And it's...this is...that
20 actually means that rather than just taking the
21 statement...the statements that come out and giving those
22 totals, somebody in management has actually looked at this
23 and are willing to put their name on it. It's not...this is
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1 not like a bank audit or anything like that. But they
2 consider it a high level than when they themselves do the
3 hands on checking of the numbers as opposed to the---.

4 DENNIS GARBIS: So, that constitutes a high level?

5 BOB WILSON: In this sense apparently so.

6 DENNIS GARBIS: I'll have to remember that. On
7 this---.

8 BOB WILSON: We'll see if our auditor agrees.

9 DENNIS GARBIS: It says over here July 1 through
10 31st. I presume that to be December, July 1 through December
11 31st.

12 BOB WILSON: Yes. It should be. As a matter of
13 fact, we discussed that as well. This is apparently an
14 artifact of the system that had left the December out and she
15 said that they had discovered that they had to go back in and
16 fix this particular report so as to pick another month.
17 Apparently whoever designed it had it so that each month had
18 to have its own name on it. But, yes, this should be through
19 December the 31st.

20 DENNIS GARBIS: Mr. Chairman, the only other
21 comment I'd make is that again looking at the U. S. Today, I
22 think some of the government securities rates was right at
23 4.5, 4.75%. I notice here that our yield is roughly 2%

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1 points less. I mean, are they...and again there might be
2 some constraints as to where they can invest the money. Just
3 trying to get the more bang for our dollar. Again, what I
4 saw was government securities. So, I would certainly think
5 that that would be in line. I don't know if that's worth
6 pursuing.

7 BOB WILSON: I don't...it can be explored. I don't
8 know exactly...again, I don't know the technical requirements
9 of investing government money and I do know that even in
10 government securities that you would have to have a certain
11 level. You can invest in AAA securities or something like
12 that---.

13 DENNIS GARBIS: Sure.

14 BOB WILSON: ---or A rated. I'm not sure exactly
15 what the ratings are on government securities.

16 DENNIS GARBIS: Well, if you've got 6,000...I mean,
17 even if you can buy a \$100,000 T-bills those are pretty nice.
18 I mean---.

19 BOB WILSON: We can invest...excuse me. We can
20 invest in Virginia securities but not Tennessee's right now.

21 DENNIS GARBIS: Yeah, I would expect that might be
22 the case. But, again, the Federal...I'm just looking at the
23 Federal level.

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1 BOB WILSON: Sure.

2 BENNY WAMPLER: Bob can follow up on that.

3 BOB WILSON: I will do that.

4 BENNY WAMPLER: I know we did place certain

5 restrictions on them in order to have the money available in

6 the event we had to, you know...in the event that we had

7 disbursement requests. So, you know, our restrictions...our

8 own imposed restrictions could have something to do with the

9 rate where it would vary. We can always revisit that.

10 DENNIS GARBIS: Yeah, sure. I was just trying to

11 get more money for our buck.

12 BOB WILSON: Sure.

13 BENNY WAMPLER: Bob, I would suggest that we ask

14 them to amend this report and make the corrections---.

15 BOB WILSON: Yes.

16 BENNY WAMPLER: ---just so they know we pay

17 attention to what they send us.

18 BOB WILSON: I will found out what our restrictions

19 are and what we're likely to be able to move to if we decided

20 to and report at the next hearing.

21 DENNIS GARBIS: I mean, do we have leeway to change

22 that possibly?

23 BENNY WAMPLER: Yeah. They're operating under

24

1 restrictions that we imposed...we as the Board imposed on
2 them.

3 DENNIS GARBIS: Sure.

4 BENNY WAMPLER: We can always revisit that based on
5 history. You know, we just didn't have history. We can...we
6 can look at history to date and see what flexibility we may
7 have.

8 BOB WILSON: And there are further restrictions, of
9 course, investing any public monies.

10 DENNIS GARBIS: I'm sure there should be.

11 BOB WILSON: We impose some over and above that.

12 DENNIS GARBIS: Investing in Enron might be a good
13 move.

14 (Laugh.)

15 KEN MITCHELL: Mr. Chairman.

16 BENNY WAMPLER: Yes.

17 KEN MITCHELL: Like Dennis, I question the July 1
18 through 31. But now we're saying it's December 1 through 31.

19 BOB WILSON: Yes.

20 KEN MITCHELL: But when I look at the---.

21 BOB WILSON: If you notice the---.

22 KEN MITCHELL: I'm sorry.

23 BOB WILSON: If you notice the dates on the actual
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1 disbursements, they reflect the---.

2 KEN MITCHELL: Well, two of them are November and
3 three of them are December and two of them are September.

4 BENNY WAMPLER: Yeah. I figured those were
5 probably October, November---.

6 KEN MITCHELL: Yeah---.

7 BENNY WAMPLER: But then they had September.

8 BOB WILSON: Okay, you're correct. I hadn't
9 noticed that.

10 KEN MITCHELL: Yeah. So---.

11 BENNY WAMPLER: I first thought it was the same
12 deal here. But---.

13 KEN MITCHELL: Right.

14 BOB WILSON: Again, part of this, I think, gets
15 caught in when...well, now this is...this is a six month
16 report here. This is..the high level review is a quarterly
17 report. The contract only requires a disbursement report
18 once every six months. So, September would be all right on
19 that one.

20 BENNY WAMPLER: Of July, you mean.

21 BOB WILSON: July through...July 1 through December
22 the 31st, which includes the September disbursements.

23 BENNY WAMPLER: Okay.

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1 KEN MITCHELL: How would you...how would you rate
2 our relationship with First Union when you deal with them or
3 when you have contact with them? Now, I see we have a
4 relationship manager, you know. In more of a political
5 correctness which I've been stuck with for a long time. You
6 know, is that...is that the smooch lady? Is she the one that
7 smooches everyone and makes everyone feel good and happy,
8 like feeling warm and happy or is she an account executive?

9 BOB WILSON: She...yes.

10 KEN MITCHELL: I mean that in the honest of words.
11 Is she an account executive?

12 BOB WILSON: Sure. Yes, she is. She actually
13 handles the account. The...Mr. Ballinghoff, you see, gets
14 copies of all this stuff is actually the manager of that
15 section. She actually handles our account. She's not just a
16 public relations type. She actually manages the account.
17 Now, she's our manager contact. She's the one that we go to
18 now to get the day to day stuff taken care of.

19 KEN MITCHELL: How would you rate your relationship
20 with her number one...it's a two part question. How do you
21 rate your relationship with her on a one to ten, ten being
22 wonderful and perfect and one being lousy? How would you
23 rate your relationship with the dealings with this lady? And
24

1 the other question is, how do you rate your relationship with
2 the bank as a separate entity?

3 BOB WILSON: I would rate our relationship with her
4 probably as a seven on a scale of one to ten right now.
5 We've had a very good relationship...we have built a good
6 relationship. It didn't start off all that great. But we
7 have built a pretty good relationship.

8 Whether she's very responsive, we have...we do a
9 lot of explaining things and we can't expect them to
10 understand the intricacies of units and land and percentages
11 and this sort of thing. So, we have to do a lot of that kind
12 of figuring for them, explaining them, these disbursements
13 especially.

14 But our relationship has steadily improved. It was
15 a steep learning curve as you all remember. But once we got
16 up there, it has steadily improved. I'd say the relationship
17 with the bank as a whole would be in that range as well. We
18 have...I can pick up the phone and call either of these
19 people now anytime we have a problem...and we still find
20 problems occasionally. The report will come out and there
21 would be an incorrect number on it. Sometimes it turns out
22 to be our mistake. We've corrected a number of mistakes
23 lately that we've made getting our orders with the errors in
24

1 the VGOB numbers, for instance. But they've been extremely
2 responsive. They do answer the phone now. They do return
3 our calls now. We...we can swap e-mails. Get e-mail contact
4 immediately with them. So, it has improved greatly. I'd say
5 we're in a very good position with them right now and have a
6 good relationship with them.

7 MASON BRENT: Which is a far cry from where we
8 where with the last agent.

9 BOB WILSON: Absolutely. Absolutely.

10 MASON BRENT: I would rank our last agent, the
11 account representative, on a scale of one to ten as a minus
12 five and the bank as a minus three.

13 DENNIS GARBIS: Generous, isn't he?

14 BOB WILSON: I would only say that you should have
15 had to help deal with them during the last audit as well
16 after he had lost the contract, but we still had to get
17 information from them. It was even more fun than it was
18 before.

19 BENNY WAMPLER: Anything further?

20 KEN MITCHELL: One last question, Mr. Chairman.

21 BENNY WAMPLER: Yes.

22 KEN MITCHELL: When you call Rachel...let me give
23 you a theoretical. You call her at 9:00 o'clock in the

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1 morning and she's not there. How quickly do they return your
2 calls or at least someone from the bank. Do you get the call
3 that day or is there a twenty-four hour...what time frame do
4 they respond to us?

5 BOB WILSON: We have direct numbers to both of
6 these people.

7 KEN MITCHELL: Right.

8 BOB WILSON: And usually if they don't actually
9 answer the phone when we call, they have voice mail.

10 KEN MITCHELL: Right.

11 BOB WILSON: Unlike most people, on the voice mail
12 they will say today is Tuesday, January the 15th. I am in
13 the office. I'll return your call as soon as possible and
14 they do that. We've gotten an extremely good response on
15 that like it is. As a matter of a fact, I called up there
16 this morning because I found a problem here that I didn't
17 quite understand, and between...oh, just before 8:00 o'clock
18 and 8:15 she had called back. So, we get good response from
19 them.

20 KEN MITCHELL: Okay.

21 BENNY WAMPLER: Anything further?

22 (No audible response.)

23 BENNY WAMPLER: Mr. Kiser?

24

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1 JIM KISER: I need to go back on the record, if I
2 could real quick, back to item number twelve which is VGOB
3 docket number 02---.

4 BENNY WAMPLER: Can you hear him?

5 JIM KISER: Can you hear me?

6 (Court Reporter indicates affirmatively.)

7 JIM KISER: 02-01/15-1001, which is Equitable
8 Production Company, well number VC-024870. We have reviewed
9 our drilling prognosis sheet which is used in connection with
10 preparing the permit application. Also, it was used in my
11 preparation of the force pooling application. The correct
12 depth of that well, the projected TD is 1850 and not 1600.

13 BENNY WAMPLER: Okay. Anything further?

14 (No audible response.)

15 BENNY WAMPLER: We had one thing. I'll just tip
16 you. We'll talk some about it next month. But---.

17 HENRY KEULING-STOUT: I do. I have maybe a
18 question.

19 BENNY WAMPLER: Mr. Stout.

20 HENRY KEULING-STOUT: I notice that in the...I'm
21 just trying to see which one it is. Is this the docket? It
22 is docket number VGOB-93-01/19-0313-01. I might be able to
23 work this out with Mr. Wilson. I want to make sure that the

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1 order that is entered today in that, that's reference EH-108,
2 conforms with what the Board actually did. Because the order
3 on number three says, "By this order, the Board orders the
4 designated operator to tender consistent with and in
5 accordance with the findings set forth in paragraph two above
6 in the annexed exhibits any funds subject to escrow and
7 instructs the escrow agent and First Union Bank or any
8 successor to establish interest bearing escrow accounts in
9 accordance with the information set forth in the affidavits
10 and receive such funds and account to the Board." So, all of
11 that paragraph in the order says is you're to put money in
12 escrow...put money in escrow accounts, which doesn't get us
13 to where the Board needs. The Board's order, as I understand
14 it, was to say that you no longer had to escrow the funds for
15 the people on this list and those escrow funds could be
16 disbursed to those people and that the bank should be ordered
17 to do that. But that's not what this order actually states.
18 If you look at the order, paragraph three of the second
19 page. Now, maybe I'm not looking at the same thing the Board
20 has before it. But---.

21 BENNY WAMPLER: Well, I had the order that Ms.
22 Riggs had prepared and not the---.

23 BOB WILSON: I believe you'll find that on the
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1 front page of the supplemental order under D, it refers to
2 Exhibit A where the elections are made and the statements of
3 interest are shown. In Exhibit A, I believe you will find
4 the instructions for disbursement under paragraph eight.
5 Now, there isn't anything in here specifically stating that
6 future revenues from this unit are to go directly to the
7 individuals. But by closing the escrow account, that's---.

8 HENRY KEULING-STOUT: That wasn't my question. I
9 understand that. What number eight says in Exhibit A, which
10 is the application, it says, "Pursuant to the provision of
11 the Code Section, and incorporated herein, is a proposed
12 supplemental order to be entered to complete the record the
13 elections. The said annex supplemental order sets forth and
14 identifies the conflicting interest which no longer require
15 funds as per for the ruling set forth in the Court case."
16 So, all of this...this is an application for a supplemental
17 order.

18 BENNY WAMPLER: That's right.

19 HENRY KEULING-STOUT: Which says...then this is the
20 supplemental order?

21 BENNY WAMPLER: That's the proposed---.

22 HENRY KEULING-STOUT: And the supplemental order
23 was to disburse those escrow funds. But that's not what it
24

1 says. What the supplemental order says, all it says to do is
2 to..."Any funds subject to escrow and instructs the escrow
3 agent, the bank, to establish interest bearing escrow
4 accounts in accordance with the information set forth in the
5 affidavit and to receive such funds and account to the
6 Board." That means take it out of one escrow account and put
7 it in separate escrow accounts. I don't think...that isn't
8 what the Board ordered here today.

9 BENNY WAMPLER: Right. Right. That's something
10 that he brought in today.

11 HENRY KEULING-STOUT: Yeah. Yeah, I hadn't seen it
12 either and I didn't want to...I knew I was late any how---.

13 BENNY WAMPLER: Ms. Riggs, will...you know, we
14 will...the order that the Board will approve will---.

15 HENRY KEULING-STOUT: Will conform with what
16 the---?

17 BENNY WAMPLER: Will conform with what the Board
18 approves.

19 HENRY KEULING-STOUT: That's all I wanted to do on
20 the record and wanted to make sure that the order can be
21 revised to conform with what the Board...what needs to be is
22 it is disbursed to the people at their addresses like was
23 done reference Harry and Glen Anderson.

24

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1 BENNY WAMPLER: That's the way she has the order
2 drafted.

3 HENRY KEULING-STOUT: All right. Thank you.

4 BENNY WAMPLER: Sure. What I was just going to
5 give you a brief synopsis on, we had in the past approved
6 Consol, Inc. and maybe others, I don't recall, but it came up
7 under their case initially, to hold making royalty payments
8 until they had reached a \$25 amount. Do you recall, when we
9 had fractional interest that led to five cents or ten cents
10 or a penny being disbursed and the mailings and all that?
11 They have raised, just informally at this point, a concern on
12 bonuses having the same issue of any...today was a good
13 example of one that had the fractional interest in that unit.
14 I guess the question was, since we didn't specifically say
15 "and bonuses", is there a problem with approving royalty and
16 bonuses to be withheld until such time as---?

17 MARK SWARTZ: There was a caveat also. We would
18 not hold indefinitely until it reached \$25 because it might
19 take eons. We would pay either through 12/31 each calendar
20 year or \$25 or whichever happened first so that we would
21 clear out the account annually and that was the understanding
22 with regard to royalty. So, we might cut a \$1 check in
23 December. We're proposing the same...and I think that's

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1 important that you recall, and we're inquiring whether or not
2 the Board might consider obtaining an ability to do the same
3 thing with the bonuses

4 BENNY WAMPLER: And you are Mark Swartz, right?

5 MARK SWARTZ: Yes.

6 BENNY WAMPLER: Do you want to withhold that
7 discussion until next month or are you ready to act on it
8 now? Mr. Wilson, do you have any concern about that
9 whatsoever?

10 BOB WILSON: No. I had talked to Mr. Arrington
11 about this. And I think that one of the problems that he
12 brought up, which is not actually something we can directly
13 address, is the fact that we all tend to lose a bit of
14 credibility when one of these very minor interests gets a
15 certified mailing. Someone has to go to the post office and
16 sign for it and it's a check for one cent for his portion of
17 the bonus. It doesn't make anybody look good when that
18 happens. If it could be held over and allowed to be thrown
19 in with the royalty payments, then at least it could be a
20 possibility of a substantial check or at least better than a
21 penny.

22 BENNY WAMPLER: Does that make sense to everyone?

23 MASON BRENT: Yeah, giving them the caveat of
24

1 cutting the check at the end of the year regardless, I
2 certainly don't have a problem with that.

3 KEN MITCHELL: Mr. Chairman, I'd be ready to act on
4 it now and support it, with the proviso of what I understood,
5 is at the end of the year, if it was \$8.10, that check would
6 be mailed out at the end of the year.

7 BENNY WAMPLER: Is that in form of a motion?

8 KEN MITCHELL: Yes, sir. I make that as a formal
9 motion.

10 DENNIS GARBIS: I second.

11 BENNY WAMPLER: Motion and second. Any
12 further...Mr. Swartz?

13 MARK SWARTZ: Just an alert for Sandra when she
14 does the order, the Board order has currently required a
15 bonus to be paid within 60 days. So, you need to put some
16 salutatory language, you know, you're effecting pre-existing
17 Board orders in this respect so that there's no confusing,
18 you know, that's retroactive.

19 BENNY WAMPLER: We'll ask you and Mr. Kiser to get
20 her some language that you would...think would be appropriate
21 and she can consider that on behalf of the Board.

22 MASON BRENT: Can't we approve the order officially
23 next month once it's done?

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1 BENNY WAMPLER: Sure. Sure. I have a motion and a
2 second. Any further discussion?

3 (No audible response.)

4 BENNY WAMPLER: All in favor, signify by saying
5 yes.

6 (All members signify by saying yes.)

7 BENNY WAMPLER: Opposed, say no.

8 (No audible response.)

9 BENNY WAMPLER: You have approval. That concludes
10 today's hearing. Thank you.

11

12 STATE OF VIRGINIA,

13 COUNTY OF BUCHANAN, to-wit:

14 I, Sonya Michelle Brown, Court Reporter and Notary
15 Public for the State of Virginia, do hereby certify that the
16 foregoing hearing was recorded by me on a tape recording
17 machine and later transcribed by me personally.

18 Given under my hand and seal on this the 24th day
19 of January, 2002.

20 NOTARY PUBLIC

21

My commission expires: August 31, 2005.

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